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Housing Credit Crisis

Sunday, Economists disagree vehemently about how to rescue the financial markets from the current credit crisis. While the troubles arose for several reasons, it is clear that one stands right in the middle of the problem: predatory loans issued to people who did not understand the long-term financial implications of the interest-rate structure.

In short, people are losing their houses because predatory lenders suckered them.

Had the nation had anti-predatory-lending laws similar to those North Carolina put in place earlier this decade, a good bit of today's credit crunch would not exist. While the N.C. General Assembly protected low-income homebuyers and homeowners from lenders who sought to make a killing from their financial naiveté, Congress and most other states did not.

At the center of the crisis are adjustable-rate mortgages that simply prey on the people who took them out either to buy a new home or to refinance their existing one. The loans offered a very low introductory interest rate. This rate allowed some families to get into houses on less income than they would have normally needed and allowed others to refinance, and either lower their mortgage payments or pull a great deal of house equity out.

The party is over, however, and the teaser rates are expiring. People who bought homes with 4 percent loans are now facing adjusted rates that are considerably higher. Their monthly payments have risen well beyond their means.

In situations such as this, one remedy has usually been to refinance that high-rate mortgage. But with so much credit in question, with housing prices dropping nationwide and new, tougher qualifying standards set by many lenders, there is no refinance option for many of these families.

In North Carolina, many of the predatory-lending tactics that started this crisis are barred by state law. But that law doesn't stop national lenders.

Congress must step in and establish laws to protect American families from these lenders.

And when we say "American families" we don't mean only those who were lured into these predatory loans. We mean all middle-class American families who are affected by this credit crisis, be it in the falling value of their homes, the loss of value in their mutual funds or in the economic downturn that may arise.

U.S. Reps. Mel Watt and Brad Miller, both North Carolina Democrats, have proposed a federal predatory-lending law that would protect the American consumer from the very practices that have created so much trouble.

Congress may not agree on how to fix the current crisis, but the bill offered by Watt and Miller is a good start in preventing it from happening again.